

Scorecard - PUC Distribution Inc.

8/26/2024

Performance Outcomes	Performance Categories	Measures	2019	2020	2021	2022	2023	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	97.60%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	98.65%	100.00%	99.92%	100.00%	100.00%	⬆	90.00%		
		Telephone Calls Answered On Time	72.43%	68.88%	71.13%	75.63%	74.79%	⬆	65.00%		
	Customer Satisfaction	First Contact Resolution	99.82	99.76	99.63	99.75	99.75				
		Billing Accuracy	99.98%	99.96%	99.97%	99.97%	99.96%	➡	98.00%		
		Customer Satisfaction Survey Results	92	92	88	88	85				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	85.00%	85.00%	85.00%	84.00%	84.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	2	0	0	1	➡		1
	Rate per 10, 100, 1000 km of line		0.135	0.271	0.000	0.000	0.135	⬆		0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.45	2.12	1.81	1.42	2.06	⬆		1.62	
		Average Number of Times that Power to a Customer is Interrupted ²	1.55	1.74	1.32	1.35	1.92	⬆		1.45	
	Asset Management	Distribution System Plan Implementation Progress	79	90	104	103	23				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer ³	\$697	\$673	\$696	\$725	\$980				
		Total Cost per Km of Line ³	\$31,775	\$30,791	\$31,915	\$33,246	\$45,088				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time							90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.94	0.99	0.80	0.80	0.86				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	2.03	2.07	2.09	2.09	2.33				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.00%	9.00%	9.00%	9.00%	9.36%			
			Achieved	8.87%	8.75%	7.60%	9.92%	7.96%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.

Legend:

5-year trend

⬆ up ⬇ down ➡ flat

Current year

🟢 target met 🟠 target not met

2023 Scorecard Management Discussion and Analysis (“2023 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2023 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

PUC Distribution Inc. (“PUC”) distributes electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie, Batchewana First Nation (Rankin Reserve), Prince Township and parts of Dennis Township. PUC is committed to providing its customers with a safe and reliable supply of electricity while operating effectively and efficiently at an equitable cost. PUC continues to strive to meet distributor and Ontario Energy Board (“OEB”) targets in customer focus, operational effectiveness, public policy responsiveness and financial performance.

In 2023, PUC successfully exceeded most mandatory industry performance targets. PUC remains steadfast in its commitment to customer value. PUC continues to prioritize customer satisfaction by offering interactive tools such as “Customer Connect”, “Green Button”, and “MyPUC App,” which allow customers to monitor and manage their electricity consumption. Aging infrastructure continues to be a challenge facing utilities. PUC continues to replace aging infrastructure, and vegetation control continues to be a primary focus to reduce the vulnerability of the distribution system to external uncontrollable events, such as weather.

To ensure consistent performance, PUC diligently monitors key performance indicators throughout the year, promptly addressing any arising issues. The company is determined to uphold or enhance its scorecard performance, undertaking risk mitigation initiatives to sustain current levels of service delivery. Continuous improvement remains a central focus across all aspects of operations.

PUC's strategic approach for 2024 includes prioritizing the modernization of the customer experience through technological advancements. Additionally, asset management improvements, including infrastructure renewal, are high on their agenda to maintain electricity reliability and safety.

Service Quality

- **New Residential/Small Business Services Connected on Time**

The OEB's Distribution System Code ("DSC") requires electricity distributors to connect to a new service for customers (those utilizing connections under 750 volts) within five business days, 90% of the time. In 2023, PUC connected 246 eligible low-voltage residential and small business customers to its distribution system, exceeding the OEB target of 90% by connecting 100.00% of its requests on time.

- **Scheduled Appointments Met on Time**

PUC strives to meet customers' meeting requests and comply with industry standards. The OEB's DSC requires that for appointments during regular business hours, the electricity distributor must offer a window of time that is no longer than four hours and must arrive within that window 90% of the time. In 2023, PUC scheduled 895 appointments with customers to complete customer requested work (e.g., meter installs/removals, service disconnects, reconnects, and meter locates.) PUC exceeded the OEB target by arriving at the scheduled appointments 100.00% of the time.

- **Telephone Calls Answered on Time**

The OEB's DSC requires that during regular call centre hours, call centre staff must answer online calls within 30 seconds of receiving the call, 65% of the time. In 2023, PUC's Customer Experience Department received 30,535 calls from its customers (an average of 122 calls per day). Of these calls, a Customer Experience representative answered the call within 30 seconds or less 74.79% of the time.

Customer Satisfaction

- **First Contact Resolution**

The OEB requires electricity distributors to report on its success at meeting customers' needs the first time the electricity distributor is contacted. The OEB has not yet issued a common definition for this measure. PUC has used the same process as in past years. PUC considers the ability to address customer enquiries quickly and accurately to be an essential component of customer satisfaction.

PUC's First Contact Resolution was measured by tracking the number of electric related calls that were escalated to a Senior Customer Experience representative, Supervisor, or Manager. This was accomplished by tracking two specific call types in our Customer Information System (CIS), which are queried to provide the number of customer concerns that were escalated.

In 2023, PUC received 30,535 calls, of which 199 contacts were escalated to a Senior Representative or Manager. This resulted in a First Contact Resolution percentage of 99.75%. To establish the number of calls that were handled without escalation, the total number of calls that were escalated to a higher level of management was subtracted from the total number of calls received.

- **Billing Accuracy**

The OEB prescribes a measurement of billing accuracy which must be used by all electricity distributors. The measure has been defined as the number of accurate bills issued expressed as a percentage of total bills issued. In 2023, PUC issued 407,125 bills and achieved an accuracy level of 99.96%. This score compares favourably to the prescribed OEB target of 98%. PUC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

Engaging customers in a constantly changing energy environment is increasingly important. The OEB requires electricity distributors to measure and report customer satisfaction results at least every other year. The OEB has not yet issued a common definition for this measure.

In 2023, PUC engaged Utility PULSE (the electricity survey division of Simul Corporation) to conduct a bi-annual in-depth customer satisfaction telephone survey. Their results were based on online and telephone interviews with 413 customers (85% residential & 15% commercial). The survey asks a core set of questions for overall satisfaction with PUC, reliability of service, outages, billing issues and corporate image. The post-survey satisfaction question score result was 85% satisfaction from very or fairly satisfied customers with PUC. The overall scorecard combined results from all scorecard areas were an "A" rating which is in line with the reporting Ontario Local Distribution Company (LDC) average of "A".

Customer engagement provides feedback that is critical for PUC's long-term success and ensures customers are provided with services they value and the value they expect.

Safety

The Public Awareness of Electrical Safety measure (Component A) was introduced by the OEB in 2015 and focuses on the safety of the distribution system from a customer's point of view. The Electrical Safety Authority ("ESA") provides an assessment as it pertains to Component B – Compliance with Ontario Regulation 22/04 and Component C – Serious Electrical Incident Index.

- **Public Safety**

Component A – Public Awareness of Electrical Safety

This component measures the level of awareness of key electrical safety precautions among the public within the electricity distributor’s service territory, and the degree of effectiveness for the distributor’s activities on preventing electrical accidents. The OEB requested that all LDCs conduct a survey using the Electrical Safety Authority’s (“ESA”) approved methodology and pre-formed set of questions, so that a final LDC Awareness Score can be calculated.

PUC’s ESA Public Safety Awareness Score for the bi-annual 2022 Survey was 84%. The next survey will be conducted in 2024.

PUC continues to look for every opportunity to communicate and engage with the public to promote electrical safety awareness in our service area. Through participation with the Association of Electrical Utility Professionals (“AEUSP”), PUC has contributed to the production of a series of electricity safety videos for television broadcast in various Ontario markets including its own service area.

Also, PUC promotes electrical safety awareness in various forms. The importance of awareness of electrical hazards is conveyed throughout the community via safety related communications in newspapers, on radio and at public events. Detailed hazard awareness presentations are made available to external contractors and joint use parties. In the broader community, public safety presentations are provided to elementary school students.

Component B – Compliance with Ontario Regulation 22/04

Ontario Regulation 22/04 establishes objective based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the Regulation requires the approval of equipment, plans and specifications and the inspection of construction completed by a competent person before they are put into service. Component B is comprised of an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. ESA evaluates all these elements to determine the status of compliance.

PUC was fully compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was achieved by PUC’s strong commitment to safety and adherence to regulatory requirements, company policies and procedures.

Component C – Serious Electrical Incident Index

Component C consists of the number of serious electrical incidents affecting the public, including fatalities, which occur within a utility's territory. As assessed by ESA, in the 2023 reporting period, there was one (1) reportable serious electrical incident.

PUC remains strongly committed to the safety of staff, contractors, and the general public. PUC regularly provides its customers with electrical safety information via its website, social media, training sessions and bill inserts. Additionally, PUC continues to make significant maintenance and capital infrastructure investments to enhance system safety and reliability.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

The average number of hours that power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. PUC views reliability of electrical service as a high priority for customers and constantly monitors its systems for signs of reliability degradation. PUC also regularly maintains its distribution system to ensure its level of reliability is kept as high as possible. The OEB typically requires a utility to keep its hours of interruption within the range of its historical performance, however, outside factors such as severe weather or defective equipment can impact this measure.

For 2023, PUC achieved an average of 2.06 hours of interrupted power, which is higher than its distributor target of 1.62 hours based on 5-year average performance data. Although the number of outages decreased, the number of customers affected, and hours increased. The construction phase of the Sault Smart Grid also had an impact on this metric. The average is expected to return to its historical range in future years.

PUC's strategies encompass continuous endeavors aimed at enhancing reliability and integrating technology such as the Sault Smart Grid. Emphasis is placed on efficient maintenance practices and the replacement of aging infrastructure, all in alignment with the goals outlined in the Distribution System Plan (DSP).

- **Average Number of Times that Power to a Customer is Interrupted**

The average number of times that power to a customer is interrupted is also a measure of system reliability and is a high priority for PUC. The OEB typically requires a utility to keep this number within the range of its historical performance, however, outside factors can also greatly impact this measure.

For 2023, PUC achieved an average of 1.92 times of interrupted power, which is higher than its distributor target of 1.45 hours based on 5-year average performance data. The main causes for outages were scheduled outages for maintenance, lightning, defective equipment, and adverse weather.

Ongoing efforts to improve reliability, including looking for mitigation approaches for the main outage causes and a focus on effective maintenance activities, replacing aging infrastructure and implementing new technology as indicated in PUC's DSP, form part of PUC's strategies.

Asset Management

- **Distribution System Plan Implementation Progress**

Consistent with industry best practices, PUC invests in its distribution system to ensure the safe and reliable delivery of electricity and upgrades or replaces equipment to serve customers continuously. The DSP progress measure is intended to assess PUC's effectiveness at planning and implementing these capital expenditures. Utilities are given the opportunity to define this measure in the manner that best fits the organization.

PUC defines this measure by comparing the ratio of cumulative actual capital expenditures to date against cumulative planned capital expenditures to date for the period starting January 1 and ending on December 31 of each score card year. The ratio is then expressed as a percentage. The metric measures the LDCs overall performance completing capital work and includes all elements identified in the DSP inclusive of System Access, System Renewal, System Service and General Plant.

The metric includes the cumulative expenditures for all previous years within the 5-year rate application period.

The calculated value for this performance metric for 2023 is 23% completion of the 2023-2027 DSP.

PUC will maintain its focus on this plan to continue to improve reliability and mitigate outage impacts to customers due to aging infrastructure.

Cost Control

- **Efficiency Assessment**

Annually, the total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC ("PEG") on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs.

For 2023, PUC was placed in Group three (3), consistent with the prior years. This ranking is defined as having actual costs within +/- 10% of predicted costs. PUC continues to focus on controllable costs, consistently reviewing key business processes to optimize those processes and drive efficiencies.

- **Total Cost per Customer**

Total cost per customer is calculated by PEG as the sum of PUC’s capital and operating costs, including certain adjustments to make the costs more comparable between distributors, divided by the total number of customers that PUC serves. PUC’s 2023 cost performance is \$980 per customer, which is a 35% increase compared to the previous year. This increase is attributed to a one-time investment in the Sault Smart Grid (SSG). The SSG project is designed to enhance the reliability and resiliency of the power distribution system, improve outage management, reduce energy consumption, and provide real-time operational awareness and control. These improvements are expected to optimize operations and asset utilization efficiency, reducing the cost of power, and leading to savings for customers on their bills.

PUC will continue replacing aging distribution assets proactively in a way that balances system risks and customer rate impacts. In addition, PUC continues to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvements and enhancements. Customer engagement initiatives will continue to ensure customers have a chance to share their viewpoint on PUC’s capital spending plans.

- **Total Cost per Km of Line**

This measure uses the same total cost used in the Cost per Customer calculation above. The Total Cost is divided by the kilometers of line that the company operates to serve its customers. PUC’s 2023 cost performance is \$45,088 per Km of line, a 36% increase over the prior year.

PUC continues to experience a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a flat growth rate has reduced the ability to fund capital renewal and support increasing operating costs through customer growth.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization for their project from the Electrical Safety Authority. In 2023, PUC received did not complete any CIAs.

- **New Micro-embedded Generation Facilities Connected on Time**

In 2023, PUC completed all eight (8) connected net-metered projects of less than 10 kW on time.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio greater than one (1) is considered good as it indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio of greater than one (1) are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations.

PUC’s 2023 current ratio of 0.86 increased slightly compared to the 2022 ratio of 0.80.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The debt-to-equity ratio measures the extent to which assets are financed by debt and equity for an entity. The OEB uses a deemed capital structure of 60% debt and 40% equity for electricity distributors when establishing rates, representing a debt-to-equity ratio of 1.5 (60/40). A debt-to-equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A debt-to-equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

PUC’s total debt-to-equity ratio of 2.33 increased slightly compared to the 2022 ratio of 2.09. This indicates a debt-to-equity structure of 70/30. PUC’s approach to managing its capital structure has served it and its customers well. Maintaining a higher debt-to-equity ratio enables PUC to fulfill capital and operating programs without impairing its ability to meet its financial obligations.

- **Profitability: Regulatory Return on Equity (ROE) – Deemed (included in rates)**

PUC’s current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.36%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenue and cost structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

PUC’s ROE for 2023 was 7.96% which is within the +/- 3% range allowed by the OEB. Productivity improvements and operational efficiencies continue to be a priority for the business. PUC will continue to seek process improvements, find efficiencies, and manage costs while delivering on the operational and capital programs.

Note to Readers of 2023 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to several risks, uncertainties and other factors that may cause actual events, conditions, or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions, and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard and could be markedly different in the future.